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Managing Privatised Housing: The Swiss Case

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Managing Privatised Housing: The Swiss Case

Causes and Impacts of Property Rights Transfers on Housing Management and Maintenance

by Joris E Van Wezemael

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Introduction

Studies in comparative housing focus strongly on the political regulation and support of housing. However this does not necessarily arise from the field of study, rather it reflects the situation in many countries, where housing and bureaucracy are twins¹. The discussion of housing privatisation partly reflects this. In order to introduce my discussion on Switzerland I will briefly go beyond the question of privatisation as a phenomenon and ask why we do bother with the issue in the first place.

The sell-off of social housing defines tremendous challenges for housing quality and housing provision in many places and with as many facets as there are cases. Still it is a surface phenomenon, and the reason why we discuss it so broadly is that we care about the social, economic and spatial consequences of the legal and organisational transformations, which housing privatisation implies. Usually privatisation means that what has been public becomes now private. But if we bear in mind the heterogeneity of both public and so-called private practices in many places, this does neither seem the only, nor the most relevant focus. Rather, what makes our research *relevant* is a focus on the change of social, economic and spatial implications which accompany altered tenure forms and property rights. For what matters in “privatisation” is not necessarily that dwellings are transformed from public to private ownership, but rather that the transfer of property rights and the move between different housing (market) segments may affect the management capacity and the economic viability of the responsible individuals and institutions, and in the end the living conditions in the corresponding spatial and politico-economic contexts. Whether this is delivered by state housing, home ownership or private landlords is a distinct question, which often is ideologically biased, both in political and in scientific debate. We may thus read *privatisation* as a metaphor for the challenges to housing supply, which are connected with the shift of property rights. This is the way I will use the term in this essay.

I will tell a story of Switzerland. This means that my plot will hardly contain any state housing to sell off, that home ownership is very low, and that the main protagonists are mainly for-profit but also not-for-profit landlords. Adapting to the Swiss housing situation I will discuss the transfer of property rights from landlords to individuals, but also that from landlords of one market segment to others in distinct market segments. Still, the basic question remains: how do processes, which are coupled with the transfer of property rights, affect housing management and supply in respect of needs and quality? What drives these processes, and what do they mean to the evolution of the housing system?

¹ The cases of Great Britain or the Sweden with their strong housing research tradition strongly coin the perspective on housing studies.

In a comparative perspective there are two features of Swiss housing that may strike a foreign observer: (1) a low share of state dwellings goes along with a dominant share of the rental sector, and (2) the lowest share of home ownership among the OECD countries accompanies the famous wealth of Switzerland, which points out that home ownership is a bad an indicator for the wealth of a country. As the 2000 census showed Swiss housing is on the move. The most spectacular finding, but by far not the only one, was the doubling of the share of owner-occupied flats in only one decade, which was celebrated by the media as this meant a realisation of a long-term policy goal: the increase of the share of home ownership. What made this change happen? How relevant is the selling from the rental to the property sector for the housing supply if compared with processes of property change within the rental market? And after all: which direction does the development of the Swiss housing system since 1990 define?

In this I article provide an overview of housing in Switzerland in the first section. Then I examine the moves in the composition of ownership since 1990 and embed them within their economic and political context. On this basis we can define options and challenges for the future housing policy and development in Switzerland. Two of the options and their corresponding property transfers seem worthwhile to have a closer look at. The case studies in the fourth section discuss these transfers and draw on two exemplary projects. The last section provides a conclusion of the development.

1 Housing in Switzerland

In Switzerland the idea of the state is subsidiary². According to Esping-Anderson (1990) Switzerland falls alongside with the UK and Ireland into the liberal type of welfare regimes (see also Matznetter 2001). The public spending ratio is comparatively low, and a well-institutionalised model of neo-corporatist reconciliation of interests is favoured over open conflict. But as Kemeny et al (2005) suggest Switzerland at the same time belongs to the group of countries with a strong influence of German culture. This tradition brings about an acceptance for a social market. State housing or what in many national contexts is called “social housing” is very low. The carriers of social housing, namely the co-operatives, are built upon private initiatives and follow the idea of self-help organisations. Housing needs are considered to be met by private initiative, the financing of housing is mainly realised on private mortgage markets and state interventions ought to be limited to fields with deficit, conflict or abuse (Hager 1996). This does not mean that state interventions in housing were nonexistent, but they are indirect and regulatory rather than by means of direct intervention.

² Its republican foundation (constitution of 1848, revised in 1999) is historically based on the constitution of the US of America.

Since there has never been a program of non-profit building, non-profit providers always had to compete with profit providers (Kemeny 2005, 862). The ongoing period of economic stagnation since 1990 resulted in a growth in state cognizance along with a crisis of the politico-economic regime (Bornschier, 1996, 131-136). This is *inter alia* reflected in a state draw-back in housing support (see below). Today Switzerland is an example for a distinct welfare mix rather than a liberal model.

Housing stock and tenure forms

In Switzerland a total of 1'462'167 buildings are used for residential purpose according to the 2000 census. 56 per cent of those buildings are one-family houses. The total housing stock consists of 3'569'181 dwellings and the annual entrance of newly built flats averages at around 35'000 units. The aggregate value of property in Switzerland amounts to 2'500 billion Swiss francs, which equals about 1'670 billion Euros or about six times the gross domestic product. Residential buildings account for approximately 1'500 billion Swiss francs. The average living area per capita, which is still increasing every year, measures 44 square meters. The quota of unoccupied dwellings is low, in 2005 it was 0.99 per cent. The sustained housing shortage is pronounced in urban areas, where the rental market dominates. However, we should talk about a shortage in housing affordability rather than of a physical housing shortage. (Bundesamt für Statistik, 2006)

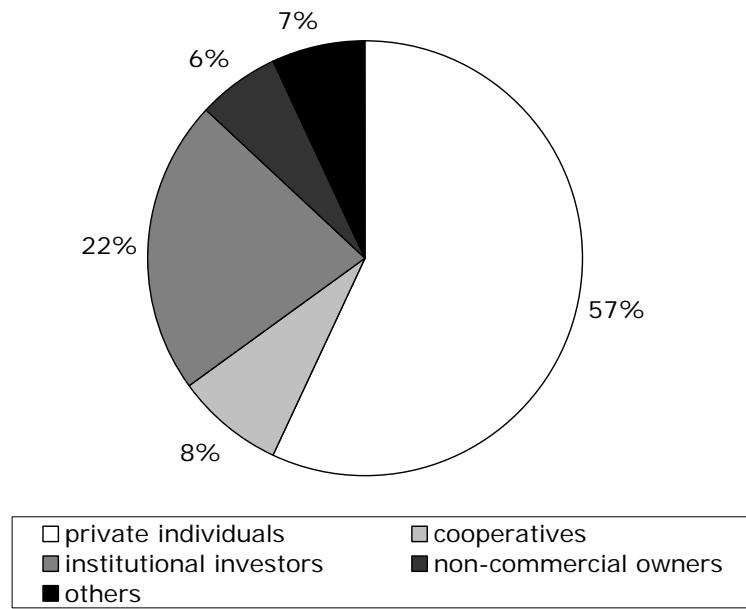
In a comparative perspective the Swiss tenure form may amaze the observer. In this rich country with a low rate of unemployment the owner-occupied market only accounts for about 35 per cent of the dwelling stock, making it the lowest share among the OECD countries. The rental market is dominated by non-state providers and accounts for 65 per cent of the housing stock, almost all in flats. The public sector only accounts for 3.4 per cent of the rental dwellings. On the basis of the 2000 census, 57 per cent of the rental dwellings belong to individuals, institutional investors such as pension funds, banks, insurances or investment foundations own a share of 22 per cent, whereas co-operatives hold 8 per cent and foundations and associations own 2.5 per cent (and furthermore others: 7.8 per cent).

The distinction between profit and non-profit market is best based on a typification of the suppliers (see Hübschle et al., 1984; Farago et al., 1993; Van Wezemael, 2005)³. If based on the dwellings of co-operatives, foundations and associations, and the public sector, the non-

³ As common with typologies, one cannot be sure if a distinct actor belonging to a non-profit category really shows a non-profit conduct. Neither can it be barred that agents related with profit-types to a certain degree realise non-profit behaviour. As shown in various studies e.g. individuals do not always realise rent maximising, be it due to deviant objectives or to insufficient skills/knowledge of these non-professional agents (Farago et al., 1993, Van Wezemael, 2005). As Behring and Helbrecht (2002) suggests, *not to take all the advantages* is a key characteristic of the Swiss housing culture.

profit segment reaches no more than a share of 13.8 per cent of the dwellings (see also Kemeny et al. 2005, 862).

Figure 1. Ownership structure in the rental sector, 2000



Data: Gerheuser 2004

Quality of housing supply

The general housing standard in Switzerland is high. Especially the standard in rental housing is very high if compared with other OECD countries (Credit Suisse 2000). One impact of these overall high standards is that a household hardly can increase its standard by moving from renting into property without going far beyond its budget restriction, and that it is comparatively good off within the rental sector. Also the quantitative supply is extraordinary, putting Switzerland on the pole position in Europe: In 1998 there were 510 dwelling units per 1000 inhabitants (Behring and Helbrecht 2002).

About one third of the dwellings were built before 1945, fifty per cent were built in the post War decades until 1980 and twenty per cent date from 1981 until 2000. Nearly a third of the ante 1970 dwellings were renewed during the 1990s. There are hardly differences in renewal rates between the owner-occupation and the rental sector. However, dwellings owned by cooperatives show the highest renewal rate, real estate funds and insurances have the lowest one. This reflects the age-structure of their portfolio rather than their renewal policy in the first place (see Van Wezemael 2005).

Regional disparities

The regional disparities in the share of the rental sector are noteworthy. Ownership rates fluctuate between twelve per cent in the canton of Basel-Stadt and 59 per cent in the canton of Wallis. Spatial variation is well explained by the degree of urbanisation: the higher the degree, the lower the share of owner occupied dwellings. If we take population density as an indicator for urbanisation, the six cantons with the highest rate of owner occupation also have the lowest population density and vice versa (Behring and Helbrecht, 2002; Burri 1995, 310). A similar relation occurs when we take the size range of community-classes: whereas the smallest class coincides with an ownership quota of 57 per cent, towns with more than 100'000 inhabitants have one of only 7 per cent (Behring and Helbrecht 2002, 108). Unlike the urbanisation indices, cultural boarders such as the language regions of Switzerland have hardly any effect on ownership quotas. The rental market prices also follow an urbanisation or a centrality gradient, though some exceptions occur in tourist mountain regions.

Legal system and support

Government regulations reflect the position of the Swiss welfare regime. State interventions in housing are indirect and regulatory rather than by means of direct intervention. The present regulatory system has developed during the last century in a process of direct democratic and neo-corporatist fine-tuning. It mirrors the institutionalised reconciliation procedures, which include the relevant stakeholders. State regulation consists (1) of a rent control system (rental markets) and (2) of a rather weak system to encourage housing construction and the accession to home ownership (construction markets and tenure form).

Rental markets

The key objectives of Swiss rent control represent a compromise between the interests of the market partners. On the one hand tenants are to be protected from abuse by landlords. This is realised by means of a cost rent basis and a dismissal protection. The dismissal protection is quite strong; in practice it hampers the transfer of occupied rental flats into owner-occupier flats⁴. On the other hand landlords are guaranteed to cover their costs if the market allows this, and they are admitted to achieve profits by rent progressions in connection with higher costs (e.g. mortgage costs). The introduction of market elements such as the mirroring of the price level of the surrounding neighbourhood independently from the cost basis reflects the compromise between a cost and a decontrolled renting system (see Van Wezemael 1999). Basically the contracting parties are free in their price setting since the supervision of

⁴ Interview with Monika Sommer, vice director of the Schweizer Hauseigentuemerverband (Swiss freehold and ownership organisation), realised on 26 April 2006.

landlords is not government-driven. Given that rent control in Switzerland only occurs when tenants actively call the rent conciliation agencies to check the legality of the rent, rent legislation is a *subsidiary law*. The emerging and mostly tolerated gray area of rental practice means a comparative strengthening of market elements at the expense of the control elements in the Swiss rent control system. Consequently the rental practice and “the law” do vary a lot in favour of the market forces (see Van Wezemael 1999).

Since an adequate housing supply more and more depends on the development of the housing stock, legal regulation in the field of maintenance and renewal play a crucial role. Swiss rent control allows a rise of current rents in connection with supererogation such as investments which increase the value of the dwelling; comprehensive maintenance; or an enlarging of the dwelling. As Van Wezemael (2005) shows, the opportunities to change rents in connection with housing developments provide a powerful tool to re-position dwellings within the market for both commercial and non-profit suppliers.

Mere measures of maintenance do not entitle the landlord to raise rents. But they are considered as missed income and therefore they can be set off against taxation (Schweizerische Bundeskanzlei 2006)⁵. In case of progressive taxes the distribution of maintenance activities over a longer period of time allows larger tax benefits than interventions at one time. In Switzerland taxation has a major impact on maintenance practice of private landlords and co-operations (see Van Wezemael 2005).

The rent legislation system has proven to be a stable balance of interests, which leaves tenants with high standard housing at bearable prices and keeps up the housing industry as an attractive investment branch. The Swiss system of pension funds capitalism in the post-war period has clearly supported this system.

Construction market and tenure form

The second pillar of state intervention is a system to encourage housing construction and the accession to home ownership, which is weak if compared to other unitary systems (Kemeny et al 2005). Presently the new system (introduced in 2003) is mostly abandoned, since saving measures put direct support on hold until 2008 inclusive. However, this is not a political state drawback from housing but rather a means to achieve the major goal of keeping taxes low and thus reconstruct the government finances. To understand the present situation we must have a look at the former model (1974 – 2003) which has considerably shaped the current conditions.

⁵ Similar arguments are applied on interests on debt. Amortisation costs and the setting aside of reserves can partly be set-off against taxation.

The encouragement of proprietary has been a constitutional goal in Switzerland for many decades. However, its constant failure, which is mirrored by the record-breaking low share of owner occupation, does not bring about a political crisis. The reason for this might be that a vast majority of the population is good off with the large, diversified and well functioning rental market, and that the relevant lobby organisation is divided between the interest of home-owners and landlords, which both share the organisation. The heavy turndown of a 1999 initiative by this landlord's lobby-association to enhance the rate of owner-occupation illustrates that a favouritism of ownership against renting finds no majorities in the Swiss population, too. Since renting is not stigmatised, economic deliberations dominate the choice of those people having one. Still, the ratio of annual earnings and house-prices is disadvantageous, and Thalmann (2004) reports that some 60 per cent of the renting tenants wish to live in their own house.

However, there are hardly enough economic and political hard facts to explain why so many households rent their homes. That's why Behring and Helbrecht (2002, 115) maybe a bit too simplifying conclude that the Swiss are a renting people *because they decided to be one*. Still, to rent is a real alternative to owner-occupation, and it is rooted in a socio-cultural basis. On the other hand the returns in Swiss rental housing deliver the basis for sufficient private investments into the rental segment.

Despite a residualised and very small state social housing segment⁶, the Swiss housing system is considered as unitary (Kemeny et al 2005). Since 1964 housing aid was given to any landlord who accepted controlled rents for twenty years, and only for full buildings. After twenty years – and in an era of considerable inflation and economic growth – one could suppose that a building was mature enough to offer its (lower) rents on the free market. This seemed to work out fine for a long period with the mentioned economic conditions. However, in periods of economic stagnation and low inflation the financing model ceased to work. In fear of producing deprived areas of low-income households, the law was expanded in 1974. Since it was now refundable, any type of household could benefit from the main component of the aid. However, non-profit private suppliers⁷ seemed to benefit the most from (or were the most in need of) the program. They built one-third of the subsidised dwellings, whereas their share on the rental market was at about 8 per cent. Furthermore the federal state allows cantons as well as communities to support non-profit housing. This leads to the typical Swiss spatial heterogeneity of governmentality. Regions with a significant need and a state support, which is generated by (direct) democratic initiative, establish substantial deviances of regional housing sub-systems if compared with the national picture. The best example is the metropolitan area of Zurich, where there's a significant maturation in non-

⁶ It accounts for 3.4 per cent of the rental dwellings.

⁷ Mainly co-operations, but also foundations and associations.

profit housing. Whereas the housing system in Switzerland is unitary, the Zurich region heads towards an *integrated market*.

The system was designed to lower initial rents. Since it was progressively phased out and it had to be fully paid back with interest, rents would rise with the time passing by. After the payback of the subsidies rent control faded out and the building was on the rental marked as sketched out above. Econcept and Wuest&Partner (2001) could show that the money of the program was invested in a sustainable and sound way, since rents of formerly subsidised buildings remain lower than those of comparable but not supported buildings, even after rent control is given up. The money provided by state housing support is not meant to be a non-refundable subsidy but a loan, unless it is given for individual dwellings occupied by low-income families and/or persons with special needs. This reflects the liberal character of Swiss housing.

The system produced some negative side-effects, too. Subsidy was bound to minimal standards. In Switzerland, as in many other places, the conditions of minimum quality and size served as a guideline in the construction of dwellings during the post War boom period. This produced considerable parts of the housing stock which are not fit for contemporary market demands. The economic realisation of „modernist housing” supported the standardisation of minimal demands (Van Wezemael 2005).

According to the new law from October 2003, the federal government can pursue its goal of encouraging the building or the renewal of dwellings for low income households, the access to home ownership, the activities of the umbrella organisations of non-profit housing and housing research. The support consists of direct and of indirect instruments. The direct instruments include interest-free or low-interest loans (1) for non-profit housing organisations, which are mostly co-operatives, or (2) for owner-occupation (low-income households). As means of indirect support the government guarantees different bonds in favour of the above mentioned goals and it provides means for a *revolving fund*, which is run by the umbrella organisations of non-profit housing. Furthermore some model projects and a rather small extent of research can be supported. As I have already mentioned the direct support is suspended until 2008 inclusive. The system is reduced to the indirect instruments and thus it is very weak. Due to the maturation of larger co-operations and to today's low interest rates on mortgages the impact of the nearly-abandonment of government support can probably be lessened.

All in all the legal situation and support shows that housing is considered to be provided by market forces and at the same time abuse and social misery ought to be avoided. The constitutional goal of encouragement of proprietary remains broadly rhetorical. As we will see below, the only way to realise this goal would be to encourage the transformation of rental dwellings into owner-occupied flats. However, there is no political will

to do this, and the government does not dispose of a housing stock to realise this policy in its own right. The next section outlines the outcome of the Swiss housing system.

Outcome of the housing system

Since the housing system is a mirror of social, cultural, political and economic features of the corresponding society, the close connection of social stratification and immigration is reflected in housing affordability and availability. Affordability and availability of housing differs between social groups. The access to housing for the youngest households – their market entrance – is a key objective of any housing system. This is quite well realised due to the huge and diverse (private) rental market. Accession limits seem to exist in distinct sections, though. E.g. young adults are underrepresented in co-operative housing, young foreign families as well as single mothers (and fathers) are underrepresented in owner-occupation, and foreigner groups generally feature the highest share of rental households. An above-average share of foreigners in elder multi-storey houses in cities and agglomerations indicates a possible integration deficit, mirrored by underprivileged access to housing.

Excepting the newly immigrating African and Asian households all types of households have gained since 1990. Occupancy with more persons than rooms hardly exists anymore. The labour immigrants of the 1960s and 1970s, mostly Italian, Spanish and Portuguese, which used to show the highest occupational density, have improved their situation continually and are now completely integrated regarding housing access. The nominal rise of rents reflects the gain of dwelling space. (Farago et al, 2004).

On the demand side, the rise of the owner-occupier rate during the 1990 is driven by Swiss families and aged households, as the census data show (see below). Quite a few namely Swiss households could afford property but they don't realise it. The share of owner-occupier amongst foreign households has stagnated and is as low in the census of 2000 as it was in 1970 (Farago et al, 2004). As stated above, housing standard is generally high. According to Farago et al (2004) also the rate of sub-standard dwellings lies in the range of per thousands.

Altogether the Swiss housing market offers an adequate supply for the population. The Swiss system of regional and social transfer and an (institutionalised) solidarity seems to pay off quite well.

2 Privatisation in Switzerland

Dynamics across the rental sector: The recent rise of home ownership

As I explained above, owner occupation is a constitutional goal in Switzerland, but its pursuit by politics and legislation does hardly go beyond rhetoric. However, in the decade between the 1990 census and the 2000 census the rate of home ownership did increase by 13 per cent, which meant a rise of its share from 31 to 35 per cent. What had happened?

The main contribution to this increase was the doubling of owner-occupied flats from a share of 4 per cent in 1990 to 8 per cent in 2000. Furthermore the ongoing boom in one-family houses, whose share remained stable during the period, along with some nominal changes (see below) explains the increase. For juridical and demographic reasons flat ownership gets more important than single family housing in the dynamics of the ownership segment: the legal basis for owner-occupied flats was (with the exception of the canton of Wallis) introduced very late (prohibited 1907-1967), leading to a catch-up effect in recent years, and the cohorts, which are in favour of one-family houses (households during the early family period of the lifecycle), are smaller than in the past decades. The larger cohorts now enter a lifecycle stage with a high likelihood to favour of owner-occupied flats (fifty and over) (see Van Wezemael 2005, 114-118).

Swiss ownership quote, which is still very low in international comparison, is path-dependent: In the periods before 1970 there was a huge annual surplus of newly built rental dwellings. The share of new dwellings, which is destined for owner-occupation, is rising since then. Today it nearly reaches the level of new rental dwellings. The reason for this is (quite misleadingly) often sought for *only in changed needs*⁸. However, the higher returns in the promotion of the occupier segment than in the rental sector and interest-rates on mortgages at a historical minimum are the striking arguments for investors to shift towards the ownership segment (Van Wezemael 2006).

As Gerheuser (2004, 28) concludes the developments during the 1990's show that the statistics deliver a contradictive picture of the nominal changes⁹: Whereas the number of newly erected ownership-dwellings and the total increase of the ownership segment are nearly equal, some 120'000 rental dwellings "disappeared". It is argued that a substantial part of the risen share of owner-occupied flats originates from the transformation of rental dwellings into owner-occupation. If we consider the excess production of rental dwellings in past decades it is evident that the ownership rate can only be increased either in the very long run or by "privatisation" (sell-off of rental dwellings to (their) renters). Did this happen during the 1990's?

⁸ I did mention the impact of demographic change on the structure of the demand

⁹ The real processes behind are only punctually known (see e.g. the empirical analysis of development strategies in the housing industry by Van Wezemael 2005).

The statistical figures do not tell the whole story. During the 1990's a substantial amount of "hidden home ownership" turned visible. The corresponding dwellings used to be owned by legal persons (e.g. real estate corporations), behind which the occupier hid. Changed tax legislation¹⁰ allowed transforming these legal constructions of indirect ownership into direct home ownership. Despite only the juridical form changes and the owner remains the same, this generates a shift between categories in the 2000 census and thus merely nominal changes. Whereas the decrease of dwellings owned by such real estate corporations accounted for 100'000 dwellings in the 1990-2000 period, the increase of owner-occupied flats in the same period added up to 115'000 units. As Gerheuser (2004) states, about one per cent of the total increase of the ownership quota is only nominal, not real. This means that at least one quarter of the increase of owner-occupied flats is nominal. If we bear in mind that (1) the production of new owner-occupied dwellings has reached a historical high, and that (2) the major part of these new dwellings are flats, the actual transformation of rental flats into owner occupation is very moderate. This is not really surprising, since this transformation is no political strategy and thus it is not encouraged by any policy. Neither is it a common practice of the private sector, and the late introduction of owner occupied flats highlights the lack of a business tradition. With regard to the legal framework, rent legislation hampers the conversion of occupied rental flats to the ownership sector. Furthermore, co-operatives are on a statutory basis not allowed to sell their property out of the not-for-profit segment. Finally, even if the government on federal, cantonal or communal level wanted were willing to increase the rate of home ownership by selling-off its property, it would not be able to do this on its own, since the state-owned dwelling stock is too small and structurally does not fit the Swiss ownership market demands.

Is the moderate transformation of rental dwellings within the private market problematic in terms of the management of the flats and the maintenance of the buildings? Let us have a brief look at the legal regulations concerning flat ownership and at the maintenance practice.

Minimum legal requirements for shared ownership

Flat ownership is regulated in Swiss federal law¹¹. It is defined as the joint ownership of a parcel which gives privileges to its owner to exclusively *use* (not own) specified parts of the building, and to equip them. The owner is free to manage, use and change his part of the building, but he must not hamper other owners to execute their (similar) right nor affect the functioning of any of the common parts in any way. Furthermore he *must maintain* his rooms in a way needed to maintain the *sound functioning of the total building and also its*

¹⁰ Gesetz über die direkte Bundessteuer (central government taxation law), effective since 1.1.1995.

¹¹ Art. 712a

appearance. Furthermore the general terms of joint property are applied. They concern the management and the formal organisation. The management has to meet at least the following standards. *Firstly*, every joint owner has the authority to call in the measures needed to maintain the value and usability of the object. *Secondly*, he or she may autonomously realise measures needed to prevent the object from damage at the expense of all owners¹². Further rules can be defined. The organisation *must include an assembly*. The assembly of the members is the highest organ of the organisation. The members have to set up standing orders, which obligate the members to act according to it.

Thus the individuals are free in the way they maintain the value and the functioning of the whole estate, but they are obliged to do it. To sell off flats to individuals without having the management of the building organised is not possible. There were cases reported in the 1980s from the Western part of Switzerland, where tenants were forced to buy their property or leave ("congé vente"). This produced strong public reactions and installed a strong stigmatisation of such practices.

Maintenance and renewal in shared ownership

Measures must be labelled as either essential, beneficial or a luxury. If they are essential, *tenants have a right* to have the community realising the measures (e.g. if the top roof is leaky, all parties have to pay the fixing). If the measure is beneficial, the parties which represent the majority value percentage have to agree. If something is considered as a luxury, everybody has to agree.

Whereas there are cases reported to Swiss courts, where parties of joint ownership disputed if measures were necessary or beneficial, the conservation of the value and functioning does not lead to any problems in the Swiss case¹³. Owner-occupied flats generally reflect a higher standard than rental dwellings. Besides the clear and, as this author believes, reasonable legal arrangements, the relative wealth of the tenants in the occupier segment explains the trouble-free maintenance of the flats.

How relevant are the dynamics across the ownership boarder? The above discussion of the rise in flat ownership has shown the following points: There was no grand scale sell-off of rental flats into the ownership segment, the moderate "privatisation" was realised by transforming *private* and not state rental flats. The increase of the share of owner-occupied flats is explained by the accumulation of nominal shifts, a catch-up of building development in the ownership section after a long period of dominating rental sector promotion by private

¹² Art. 647

¹³ Interview with Monika Sommer, vice director of the Schweizer Hauseigentuemerverband (Swiss freehold and ownership organisation), realised on 26 April 2006

capital, and an increased demand of freehold flats due to both demographic changes and to very low interest rates. The transformation of rental dwellings into owner-occupied dwellings is but one factor amongst others, and both legal regulations and common practices produce sound results regarding management and maintenance of the jointly occupied housing estates. The recent development is market-driven rather than by privatisation policies, and the state has no effective political or economical strategy to “privatise” dwellings.

The advance of small and of non-profit landlords – dynamics within the rental sector

The increase of the ownership rate includes the “privatisation” of rental flats and thus the transfer from rental flats into the ownership segment. When we use privatisation as a metaphor of the transfer of property rights, some major dynamics come into view, *which to not transgress the rental/occupier border* but still deserve our attention. As an analysis of the management practice in Swiss housing showed, there are considerable differences in the practices between ownership types. The change of property between those types means a change in the management of the respective flats.

However the comparing of the 1990 and the 2000 data bear considerable transfers of property rights within the rental sector. Some mean the transfer between segments of commercial types with distinct management cultures; others include the transfer across the profit/non-profit border – in favour of non-profit housing! These changes *within* the rental market define an interesting trajectory of the Helvetic housing system.

The political debate during the 1990's was concerned with the fear that private individuals as an important landlords category would draw back from housing due to ever more complicated regulations and to a changed rent control in favour of the tenants, which is effective since 1991¹⁴. Surprisingly, exactly the opposite happened: private individuals increased their stock of rental dwellings by 15 per cent and moved from a share of 51 per cent in 1990 to one of 57 per cent in 2000. During these years of economic stagnation cooperatives expanded mainly in the urban regions and increased their dwelling stock by nearly 10 per cent, while real estate corporations, which partly covered individual owners as discussed above, halved their stock. Pension funds reduced 10 per cent of their dwelling assets. What drives these dynamic shifts in ownership structures?

As I have discussed elsewhere (Van Wezemael, 2004), neither a policy perspective, nor an economic discussion *within* the national context can explain these processes. These shifts are connected to a local-global interplay, which refers to the integration of financial and

¹⁴ A detailed discussion of the impacts of changes in Swiss rent legislation on urban development and housing supply is provided in Van Wezemael 1999.

asset markets, and to the realisation of an interconnected FIRE¹⁵ branch. The local constitution of a strategic position within global economic contexts¹⁶ means the implementation of distinct asset strategies. Institutional investors own more than twenty per cent of the rental dwellings, with a decreasing tendency. Their turn away from a domestic orientated practice means a *partial dynamisation* and a resulting polarisation of the housing industry. The empirical analysis of the housing industry in Switzerland shows that only agents within the institutional section of the housing market modify their housing development and their buying and managing strategies. Contrarily, private individuals as landlords and the non-profit landlords don't. The dynamisation of parts of the Swiss housing industry should be understood as an aspect of what Piore and Sabel (1984) called the second industrial divide¹⁷. The interrelated aspects such as dynamic firm development, changed management concepts, global integration of financial markets and the diffusion of computer based management tools outline relevant aspects of the change. Since the 1990's, the vertical disintegration of firms by defining so-called core competences is a crucial element in the implementation of *resource-based-view approaches* of strategic management (Hamel and Prahalad, 1996). This implies a re-structuring of organisations including the separation of parts of the firm (e.g. residential property)¹⁸.

Different goals and procedures are applied in a premium market segment with the institutional agents and in a more traditional market segment with the private individuals and cooperatives. While the former shrunk of 106'000 units during the 1990's, the latter grew of 160'000 dwellings.

This development is both differentiated spatially and by housing features. Institutional investors indicate that they intend to strategically sell smaller objects in the range of up to five or ten million Swiss francs. This accommodates to the willingness to pay of private individuals. Since institutional investors also draw back from less central regions, they sell off a substantial amount of their residential buildings in those areas. In the past decade private individuals have realised their opportunity to buy such estates that fit their investment pattern: nearby locations, not too large, possibly in need of maintenance investments, which unlike value increasing measures can be set off against tax liability¹⁹ (see above). The lowering price effect of the selling-off by institutional investors and the increasing effect of the buying of the individuals – their stock grew by 15 per cent as I mentioned above – seemed to balance by and large. If the absorption potential of those private individuals is high as it is at

¹⁵ finance, insurance, real estate

¹⁶ Such as: asset and financial markets; implementation of accounting standards, valuation procedures, criteria of soundness etc.

¹⁷ This economic transition followed the crisis of the industrial paradigm of mass production.

¹⁸ This issue is discussed in further detail in Van Wezemael 2004 and 2005.

¹⁹ Tax optimisation is one of the main reasons for private individuals to invest into rental houses (Farago et al., 1993).

present, the supply of rental flats is assured in these less central areas. However, on the basis of strategy analysis housing standard will lower in a medium term, since private individuals charily invest compared to institutional investors. Private individuals as landlords are generally more interested in tax optimisation and thus in value conservation.

Total investments in metropolitan regions increase due to the regrouping of the institutional agents, although some institutional investors sell off their dwellings since they define property-management as a non-core business. Co-operatives also define the metropolitan areas as their core regions. They manage to expand here since they are less sensitive to business cycles and thus they keep on building in periods when private capital is scarce. As the case study below will show, there are some conditions, in which co-operations manage to grow by acquisitions.

3 Challenges and opportunities

The previous sections point out the dynamics which occur on the basis of economic and socio-demographic processes. We can learn that housing politics has a large variety of options to use existing dynamics in order to follow strategic goals. Which kind of housing development is to be promoted? On the basis of the above discussions, there are three options. It is up to political debate to decide, which of the options is to be favoured.

1. If the constituent goal of a better access to individual home ownership is to be realised in the medium term, the “privatisation” of rental dwellings must be promoted. However, this seems to lead into a proprietary rights dilemma. The culturally deeply rooted protection of property, which in concrete cases means the freedom to dispose of it, conflicts with means to spread home ownership. Purchase options for the dwellers are frowned upon and thus in the Swiss neo-corporatist political system they are not valuable. Since the lobby organisation of the home-owners at the same time represents the interests of the landlords, there is no pressure group, which favours the pre-emptive rights of current tenants.
2. If forms of co-ownership are desired, the most efficient and effective way would be to support co-operatives in buying existing property. The case study below will show how this could be done. The substantial maturation of larger co-operatives points not only at the feasibility of such a strategy, but also at the competence of Swiss co-operatives to bring together economically sound management and (not only social) housing for different needs. Other alternatives like forms of temporary ownership²⁰ can fill but a niche.

²⁰ See Dürr 1999: Kleines Wohnungseigentum - Ein neuer Vorschlag zur Eigentumsstreuung.
Van Wezemael – the Swiss case. ENHR 2006

3. If the “market should decide”, the spread of home ownership remains a state rhetoric. The housing situation in Switzerland proves that this is no catastrophe, since housing supply for different social groups and across the country is reasonably good when compared internationally. The market functions good enough to let major shifts like the expansion of the segment of the private individuals happen with hardly anybody even noticing it: no social, economic or spatial problems occurred.

Since the scale of privatised dwellings is small, its legal situation is clear and sufficient and the practice doesn't bring about noteworthy difficulties, this article will discuss the practices and challenges in property rights transfer in the two other cases, which represent the latter options. The cases are selected on the basis of their representation regarding the options.

4 Case studies

Both case studies discuss the selling of dwellings in the connection with the partial dynamisation of Swiss housing as discussed in Van Wezemael (2004). Institutional investors sell residential property to the main non-institutional landlord types, which are private individuals and to a lesser extent to non-profit co-operations. In the first case the implementation of a resource based management approach triggers the sell-off of a large housing stock in Switzerland's most dynamic housing market region, which is the Zurich area. In the second case study, which is located in the city of Schaffhausen in northern Switzerland, a firm acquisition resulted in the merger of pension fund housing portfolios. This called for a portfolio restructuring in regional respect by decreasing the stock in low-rated housing region, and the selling of smaller objects. Whereas in the first case a not-for-profit organisation took over the dwellings, the second case discusses one of those transfers from institutional to private landlords, which resulted in the growing share of the private landlord section mentioned before.

Case Study 1²¹

After the War Swiss industry grew rapidly. Besides the large and well-known enterprises such as *Sulzer* or *Brown Boveri & Cie* many small and medium sized firms carried the industrial success of that period of economic growth. In the suburban community of Horgen near the city of Zurich half a dozen small enterprises specialised in niches such as electro-technical installations, weaving machine accessories etc and successfully grew in size. The rapid growth of the Swiss industry called for a large amount of labour forces, and the Horgen industry was no exception. Labour immigration into Switzerland was fairly high in these

²¹ An interview with the co-operation manager in charge of the project was realised on 12.4.2006.
Van Wezemael – the Swiss case. ENHR 2006

years. It brought mainly Italian, Spanish and Portuguese persons to the country. As discussed in the section on the outcomes of the Swiss housing system, these immigrant groups are now thoroughly integrated regarding housing supply. In order to keep labour cost down to a viable level the Horgen firms provided low-priced accommodation by setting up firm-owned housing co-operations. Those co-operations were later transferred into the pension fund assets of the firms. However, from a 1990's resource-based management perspective the management of such large housing estates was neither considered as a core business nor as a flexible investment opportunity and the returns were too low if compared to the high flying stock markets in those days. At the beginning of this century the owners decided to sell the property with 600 dwellings and an estimated investment volume of up to 100 Million Swiss francs.



Foto 1: View on a tower building and on Lake Zurich in the distance. © by ABZ

The locations dispose of a very good transport connection, both with public and private transportation, which takes commuters to Zurich in about fifteen minutes. The location offers a lot of green space and the sight on the lake Zurich is considered as a very nice one. The dwellings were in a reasonable state and standard at the time of the market offer. The rents were slightly lower than the location would allow, although some lowering finance costs

were not passed on to the tenants, because the pension fund managers wanted to offer the fully occupied buildings with *market rents* and according profits.

The dwelling sizes defined a wider range with 2.5 rooms up to 5.5 rooms. The pension funds wanted to sell the buildings to a profitable price, and at the same time they wanted to respond for the social responsibility, which stems from the specific history of the fully occupied buildings. Half of the tenants still work with the local industrial firms. However, this tension between price maximisation and social responsibility is biased, since one of the former cooperatives with 373 dwellings was built on communal ground (with a 100 year rent), which consequently does not allow the liquidation of betterments and is considered an obstacle in regard of realising a maximum profit.

Different firms were interested in buying the houses at this attractive location, which did alert the tenants. Local papers critically discussed the bargaining as the *Horgen monopoly*. In 2003, a large Zurich-based co-operative bought 533 dwellings in two settlements with 24 respectively 9 multi family houses. It was one of the largest acquisitions by a co-operative in Switzerland. The co-operative prevailed because it can handle the ownership situation with the communal ground according to their objectives, and because the pension funds of the Horgen firms searched for a compromise between the highest bet and their responsibility, as the sales and development manager of the co-operation reassured in an interview. Besides the social responsibility the firms worry about their image in the community of Horgen, where they still run industrial production.

The transaction price was considered as "fair" by both sides. However, as the co-operation manager in charge verified, the co-operation would not have been able to compete with private investors at this attractive and high rated location without the common-ground handicap. The financial basis of the 1916 founded co-operation with 4'250 dwellings is solid. The mature co-operation can get funding on good terms on the mortgage market and it disposes of a sufficient net worth basis to realise such large transactions as the Horgen acquisition. Furthermore, its professional management, the realisation of business administration principles and a clear strategic focus make it one of the most viable co-operations in the country.

New management and maintenance practices

All former tenants of the pension fund owned estates were taken over by the co-operation and thus they were given the privileges, which all the members of the association have. This includes the prospect of rents below market level, a very far reaching dismissal protection, and different social benefits. The tenants were happy with the solution of the "Horgen monopoly". They appreciated the entrance into the co-operation, and no households left during the transaction. When a tenant moves out, the members of the co-operation have a Van Wezemael – the Swiss case. ENHR 2006

prior choice to non-members, as it is the common practice in co-operative housing. Therefore the estates slowly start to be mixed with tenants from other settlements of the co-operation.

The Horgen dwellings were at a lower standard than the average dwellings of the co-operation. Since the co-operation in tendency tries to raise its dwelling standards, the management decided to realise some *maintenance and renewal* measures in the estates. Furthermore, only a part of the dwellings had been renewed by the former owner. The co-operation wanted to introduce *similar standards to all the dwellings* and produced transparency in rents. The *maintenance* includes the up-dating of kitchens and bathrooms as well as some insulation improvement in a few cases. The *renewal* concerns the further adjustment of standards, which exceeds the mere replacement of kitchen and sanitary installations. Balconies were enlarged as to meet the present demand, and those balconies of the high-rise buildings were vitrified. At present the buildings meet some (lower) middle class standards in Swiss housing markets.

The practice of this co-operative is typical for mature not-for-profit organisations (Van Wezemael 2005). If we compare this management with what happened to the small amount of the pension fund dwellings, which was sold to private corporations, we may understand why the tenants feel so happy with the co-operative solution: those dwellings are already partly torn down, giving place for luxury apartments at this favoured location with a view on the lake and a short commuting distance to the Swiss financial centre in Zurich.

Financing

The budget for acquisition and renewal was about 80 Million Swiss francs. It was founded by some reserves from the rental fees in a medium term (up to 10 million Swiss francs), usual bank mortgages and by the co-operations equity. Although the dwellings were quite significantly improved and reserves were accumulated, rents could soon be lowered by 10 per cent. The lowering mirrors the cost rent basis of the cooperation.

Encouragement policy

This first case reflects option two in the section “challenges” above. A transfer of buildings in the rental stock from profit to non-profit, from pure renting to co-ownership is possible given certain conditions, as the common-ground situation and the increased social responsibility in the case of the former firm co-operatives shows. However, this practice could be encouraged, since the social benefits are obvious. State support could be limited to the payment of the bid-split between (mature) co-operatives and commercial investors. The organisational structure, the management capabilities and the development policies of co-operatives are highly sophisticated, and larger co-operatives are among the most

experienced landlord types regarding the management of maintenance and renewal in a sustainable way.

Case Study 2²²

In the second case study I discuss a housing transfer from an institutional investor to a private landlord, which took place in 2002. The buildings are located in the city of Schaffhausen in the north of Switzerland. Each of the two buildings contains six apartments with three rooms each. Their area measures about sixty square meters. The 1945 built houses were completely renewed in 1990. They are in good shape and can be positioned at the average of the rather high rental flat quality in Switzerland.

The houses were built for the pension fund of the Carl Maier & Co industrial company (CMC), which is a 1909 founded medium sized firm in the field of electro-technical supply. In 1991 the multinational Swedish-Swiss technology giant Asea Brown Boveri (ABB) integrated the Carl Maier & Co, which then became the CMC Low Voltage Products of ABB Switzerland. As the CMC pension fund assets were to be integrated into the ABB asset strategy, a large stock of the mainly Schaffhausen based residential estates of the CMC was sold. The merger of housing portfolios is a mere side-effect of industrial optimisation strategies – however not a minor one regarding its consequences (Van Wezemael 2004). The ABB started to restructure the housing portfolio as to fit it into its strategy, and sold off many houses.

The Schaffhausen region produces very low rating values in the regional/location ratings used in Swiss housing industry (Van Wezemael 2004). It is a place with rich industrial past but sincere restructuring problems at present. Institutional investors usually consider it as a region where they do not newly invest; many firms thoroughly or partly draw back from the region. The buildings of case 2 did not fit into the new portfolio according to size and location, and they do not bear any extra value, since their layout and design is mere average and slightly outdated.

Foto 2: The two buildings in Schaffhausen (forthcoming)

One year before the 1991 transfer to ABB, the former owner (the pension fund of CMC) had the two houses thoroughly renewed, on which it spent the considerable amount of 1.6 Million Swiss francs, which equals more than one Million Euros. They improved the insulation and newly equipped the sanitary rooms and the kitchens, but they *did not change*

²² An interview with the private landlord was realised on 23. April 2006.
Van Wezemael – the Swiss case. ENHR 2006

the layout of the rather small three room apartments. During this total renewal process all tenants were dismissed. Since rents are decontrolled in case of new lettings, the new rents were two and a half times higher than before and moved from 400 to 1000 Swiss francs. Obviously this renewal happened with no awareness or at least without coordination regarding the forthcoming integration of the CMC pension fund assets into the ABB pension fund strategy.

The present owner (since 2002) is a private person, who has a small-trade background. After having a firm (facility cleaning) and having invested into residential buildings for a few decades in order to secure old age, he sold his business and made housing his first trade by buying several estates. A fiduciary, with whom the landlord had worked several times before, but who was not included in the deal, told the landlord informally about the ABB selling interesting real estates in the goal region of the person. The regional targets of private individuals usually are, as in this case, their own town including its surroundings. The price was less than twelve Million Swiss francs for both houses. This is a rather attractive investment for the buyer, as the landlord confirmed in an interview.

Changes in management and maintenance

In 1990 the houses were newly let. Not surprisingly regarding the size and layout of the dwellings, no “classical” families moved in since 1990: only one single mother lives there among eleven single person households. The management practice and culture changed a lot since the take over. The present owner decidedly made clear that he would never invest such a large amount into a building *at one time*.

He follows a completely different strategy than his institutional predecessor: he is visiting his houses on a regular bases and he personally knows his tenants. Immediately after taking over the twelve fully rented dwellings he realised a survey to find out about the wants and needs of the occupants. This produced a list of mainly small things such as a talk-back circuit or sunshades in the top floors, which he realised in the first year after buying. This strongly contrasts with the practice of institutional investors: they stick to general solutions and try not to “loose” any money on individual tenants’ needs (Van Wezemael 2005).

Single person households bring about the highest rates of residential mobility. The three changes of households, which took place across the twelve dwellings during four years thus is a low rate. Especially if we bear in mind that the present landlord has taken over all tenants from the former owner, and that he had changed the management practice considerably. However, his close relation to the tenants and his willingness to adapt to their needs may be considered a stabilising and binding factor. The rents still are moderate: the

rental level is quite low in this part of Switzerland, and the about thousand francs per dwellings are about average.

Financing

The landlords' financing strategy is closely related to rental and tax legislation. Mortgage rates seriously decreased in several steps since he took over the buildings in 2002. According to rent control the tenants should be passed on to the reductions of costs. Instead, he compensated them with "new costs", thus with value-increasing small investments. The financing of the investments thus is covered with the rent benefits, since mortgage savings are not passed through to the tenants. This continual investment is very typical for many private landlords. When mortgage costs will rise again, he will be able to legally transfer them fully to the tenants and considerably raise the rents. Besides this renewal strategy the landlord realises a tax optimisation, which includes several other estates in the Schaffhausen area. He invests annually into maintenance projects in his small housing portfolio. This allows him to constantly put these investments off against taxation, which means that tax savings partly finance the housing maintenance.

Benefits of tax and rental legislation

Case two reflects the third option in the section „challenges“. There are many smaller residential properties with a market value of about five million Swiss francs, and many buildings in the low rated areas outside of the two dynamic regions around Zurich and Geneva. The Swiss rental market is a very diverse system, and I would like to highlight the smoothness with which even major shift in this market are dealt with by market forces. Individual landlords are the backbones of the rental housing supply. They increased their housing investments during the boom period of the stock exchange during the 1990's. As the second case study may illustrate, many private landlords know the housing system very well and they use the legal system in a strategic way. The combination of maintenance incentive by tax legislation and renewal incentive by rent control (see section legal system and support) produce medium housing standards and a continual quality assuring. If the increase of private landlords continues, housing standards may decrease slightly, but maintenance is assured. However, a very heterogeneous rental practice of private landlords makes it a hard guess, if certain social groups are given limited access to housing. Both statistical analysis and some case studies (Farago et al, 2004; Van Wezemael, 2006) suggest that private landlords mean some obstacles for less integrated social groups such as new immigrants or persons with deviant life styles.

5 Conclusion

Housing in Switzerland is on the move. Mainly trans-local economic processes rather than political changes or programs introduce conditions for housing, upon which different investors set up strategies either as to sell or to buy residential property. The following sections summarise the findings of the previous discussion and then outline the findings in the sense of a trajectory for the Swiss housing system. Section 3 has set up three options in relation to encouraging home ownership: to transform rental dwellings, to support co-operatives in buying existing property or let the “market” decide.

The “privatisation” of rental flats into owner-occupied dwellings is no grand scale phenomenon in Switzerland. There is no policy practice to support it, nor is there a wider spread business strategy on the investors’ side. The reason for this limited relevance is that the ownership segment is considered as a luxury segment by most investors, which means that they regard most rental flats as not suiting as objects for transformation. Rental law (especially dismissal protection) hampers the transformation in regards to the legal framework. The lobby-organisation in favour of increased home ownership is at the same time the landlords’ organisation and thus will not press on limiting the property rights of the owners of commercial residential property. Property enjoys a traditionally strong protection in Switzerland. However, both the legal framework of joint flat ownerships (minimal organisation structure) and the observed practice are sufficient and do neither bear management problems in general nor maintenance troubles in particular. The continuing increase in flat ownership reflects that flat ownership as a housing form meets the needs of a growing segment of the population as well as investment strategies of developers. It will grow without state programs, but at a slow pace regarding its total market share.

The second option means to support co-operatives in buying existing property in order to spread co-ownership in the form of self help organisations on a private initiative basis. The second option could be followed by the state *closing a bid gap* between economically sound and professionally led co-operations and commercial investors. Especially larger co-operations have developed a mature status, which is accompanied by both a sound and professional management and abundant financial resources in order to maintain and renew the existing housing portfolio, and to slowly grow, mainly by building new houses and to a lesser degree by means of buying smaller estates. The development strategy of mature co-operations is guided by the objectives of sustainable housing development in all dimensions of ecological improvement (energy-efficiency), social responsibility and economic viability (augmenting of reserves for upcoming costs). Their organisational structure very much reflects their increasingly professional management: A co-operation organisation chart does hardly differ from a private investor’s one, except the difference in stakeholders, of course. In the core regions of co-operations, which are the

main metropolitan areas and especially the Zurich area, co-operatives can hardly compete with commercial investors in wanted locations. As the case study illustrated, co-operatives can succeed in special cases when the performance of the asset is limited, which consequently means lower bids by commercial investors. Co-operations, which take over residential property from commercial landlords, produce results in line with the housing politics of the past decades.

As the state is cutting back expenditures in different fields including housing, it is unlikely that it will engage in supporting the acquisition residential properties by co-operations. Moreover, such direct intervention does conflict severely with the constitutional economic frame, but maybe even more important, with the politico-economic culture in Switzerland. The liberalist tradition in combination with cut backs in state expenditures and a still quite dominant neo-liberal ideology leads to the third option. This means not taking any policy at all. This, however, does not mean that nothing happens. The changes in housing ownership during the 1990's exemplify this.

The strategies and the financial and human resource situations of private individuals vary a lot. However, they have some common key features such as the management of small steps: continual maintenance produces the highest taxation benefits, and a limited financial power frames the renewal and development of the property. One the one hand, private landlords often adapt to the needs of their specific tenants, as the second case study shows. However, due to their management culture it is likely that major structural changes will be avoided as far as possible. Thus a shift from institutional investors to private landlords tends to result in a better fit to housing needs in the range of soft interventions (small but often important adoptions to physical housing needs, see case study 2) and a decrease in the pace of the structural development of the housing stock, especially layout. As the reflection of the census data as well as the findings in case study 2 suggest, taking the third option will not hamper a decent housing supply.

If the option of taking no political measures is chosen, home ownership will rise very slowly during coming decades, home ownership remains a tenancy for the wealthy, and the not-for-profit segment will further grow in regions such as Zurich. Therefore the dynamisation means rather unexpected shifts within the rental market towards more smaller and more non-profit suppliers in the rental market.

In terms of housing system development, the dynamics in property rights transfers mean Switzerland remains a unitary market with a predominant commercial segment. The most important investors in this segment remain private individual landlords, which increase their share. Contrarily to institutional investors they are less sensitive to alternative investments such as stock market assets. The co-operative segment is relatively mature. Its impact on Swiss housing as a whole remains limited, because their share is still small.

However, its share is likely to grow, since it does so in periods of economic stagnation, with the conversion of rental flats to occupier-flats (reduce of the total number of rental flats), and with the buying of property from commercial investors. Therefore Swiss housing moves to a slowly growing ownership segment, mostly in flats; to an increasing share of non-profit landlords; and to a strengthening of the private landlords' segment as the backbone of Swiss rental housing. The increase of private landlords does not necessarily mean a decrease in professional management, since a growing share is outsourcing the management of the estates to trustees.

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